

**NEWELL-FONDA  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

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**NEWELL-FONDA COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2003 Election)

James Wernimont	President	2004
Roger Sarchet	Vice President	2005
Tracy Baak		2003
Greg Baskerville		2003
Tony Buchholz		2004

(After September, 2003 Election)

James Wernimont	President	2004
Roger Sarchet	Vice President	2005
Lyle Rossiter		2006
Greg Baskerville		2006
Tony Buchholz		2004

**SCHOOL OFFICIALS**

Merle Boerner (Resigned December, 2003)	Superintendent
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Steve Mitchell (Effective January, 2004)	Superintendent
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Marcia Johnson	District Secretary/ Treasurer
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## Independent Auditor's Report

To The Board of Education of the  
Newell-Fonda Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Newell-Fonda Community School District, Conrad, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Newell-Fonda Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 8 to the financial statements, during the year ended June 30, 2004, Newell-Fonda Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated August 17, 2004 on our consideration of Newell-Fonda Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newell-Fonda Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

August 17, 2004

## **NEWELL-FONDA COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Newell-Fonda Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

#### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,184,747 in fiscal 2003 to \$3,190,121 in fiscal 2004, while General Fund expenditures increased slightly from \$3,174,131 in fiscal year 2003 to \$3,183,763 in fiscal 2004.
- The increase in General Fund revenues was primarily attributable to over \$34,000 in donated funds from private sources. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The General Fund balance increased due to savings realized as a result of sharing administrative costs with the AC-T Community School District.
- The District began collecting School Infrastructure Local Option Sales Tax from SAC County during the year. No definite plans have been made for the usage of these funds.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Newell-Fonda Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Newell-Fonda Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Newell-Fonda Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

*Figure A-1*  
*Newell-Fonda Community School District*

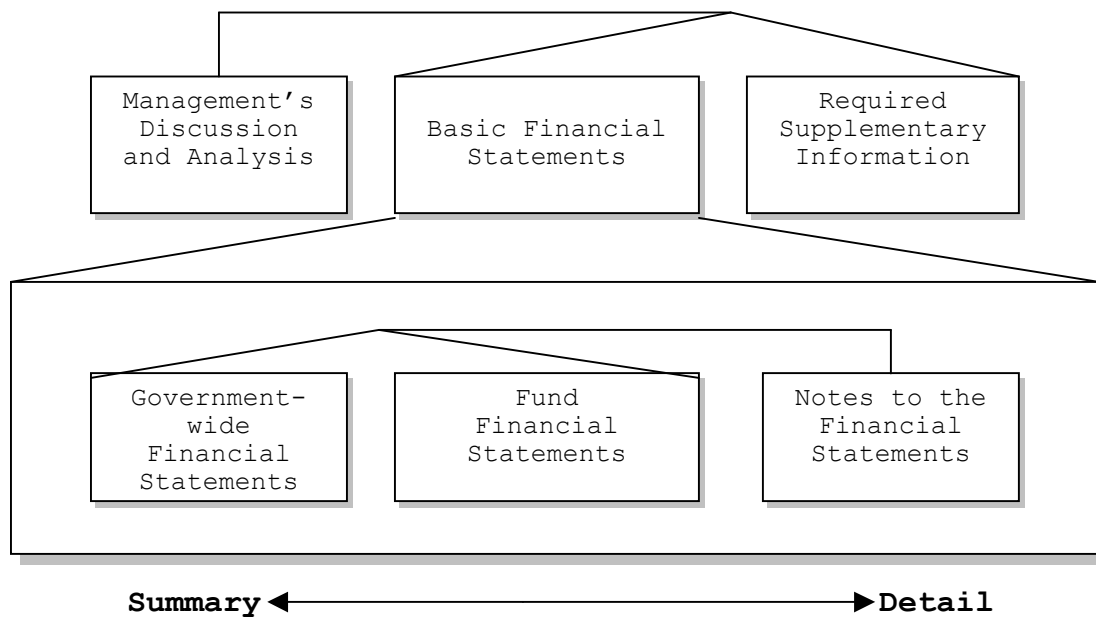


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

## DISTRICT-WIDE FINANCIAL ANALYSIS

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to June 30, 2003.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Percentage</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2003-2004</b>
	\$	\$	\$	\$	\$	\$	
Current assets	3,019	3,257	33	31	3,052	3,288	-7.18%
Capital assets	359	411	3	4	362	415	-12.77%
<b>Total assets</b>	<u>3,378</u>	<u>3,668</u>	<u>36</u>	<u>35</u>	<u>3,414</u>	<u>3,703</u>	<u>-7.80%</u>
Current liabilities	1,170	1,452	-	-	1,170	1,452	-19.42%
Non-current liabilities	-	-	-	-	-	-	#DIV/0!
<b>Total liabilities</b>	<u>1,170</u>	<u>1,452</u>	<u>-</u>	<u>-</u>	<u>1,170</u>	<u>1,452</u>	<u>-19.42%</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	359	411	3	3	362	414	-12.56%
Restricted	698	670	-	-	698	670	4.18%
Unrestricted	<u>1,151</u>	<u>1,135</u>	<u>33</u>	<u>32</u>	<u>1,184</u>	<u>1,167</u>	<u>1.46%</u>
<b>Total net assets</b>	<u>2,208</u>	<u>2,216</u>	<u>36</u>	<u>35</u>	<u>2,244</u>	<u>2,251</u>	<u>-0.31%</u>

The District's combined net assets decreased less than 1%, or approximately \$7,000 over the prior year. The largest portion of the District's net assets is the invested in cash and pooled investments.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$23,000 or 1%. This increase in unrestricted net assets was a result of savings realized as a result of sharing administrative costs with the AC-T Community School District.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	114	82	196
Operating grants, contributions and restricted interest	756	79	835
General revenues:			
Property tax	1,446	-	1,446
Local option sales tax	2	-	2
Unrestricted state grants	1,283	-	1,283
Unrestricted investment earnings	24	-	24
Other	33	-	33
Total revenues	<u>3,658</u>	<u>161</u>	<u>3,819</u>
Program expenses:			
Governmental activities:			
Instruction	2,271	-	2,271
Support Services	1,215	-	1,215
Non-instructional programs	-	160	160
Other expenses	179	-	179
Total expenses	<u>3,665</u>	<u>160</u>	<u>3,825</u>
Change in net assets	<u>(7)</u>	<u>1</u>	<u>(6)</u>

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$3,656,588 and expenses were \$3,611,859.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(expressed in thousands)</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>\$</b>	<b>\$</b>
Instruction	2,898	2,222
Support Services	1,244	1,232
Non-instructional programs	26	26
Other expenses	<u>682</u>	<u>518</u>
Totals	<u><u>4,850</u></u>	<u><u>3,998</u></u>

- The cost financed by users of the District's programs was \$58,382.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$479,754.
- The net cost of governmental activities was financed with \$1,447,498 in property and other taxes and \$1,282,964 in unrestricted state grants.

## Business-Type Activities

Revenues for School Nutrition were \$161,722 and expenses were \$160,266. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District held meal prices steady.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Newell-Fonda Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of 2,207,996, a less than one percent decrease under last year's ending fund balances of \$2,215,495.

## **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of several factors. The District has explored different opportunities to share staff with neighboring districts. The District has also carefully monitored discretionary spending to avoid decreases in fund balances. The preservation of the General Fund balance is especially important in light of the State's decision to remove the budget guarantee.
- The Physical Plant and Equipment Levy (PPEL levy) increased over \$20,000 as a result of the District watching its expenditures in this fund due to the imposition of the School Infrastructure Local Option Sales Tax (SILO tax) in Sac County. This source of funding will allow the District more options in paying for future improvements.
- The Capital Projects was started in the fiscal year ending June 30, 2004 as a result of the passage of the SILO tax in Sac County. The first revenues were received in March, 2004. This money can be used for many of the same purposes as the District's PPEL levy. The District is currently prioritizing projects for use of these funds.

## **Proprietary Fund Highlights**

The School Nutrition Fund balance increased approximately \$1,500 during the fiscal year ending June 30, 2004. This was a combination of increased participation and cost control measures.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$17,906 less than budgeted receipts, a variance of less than 1%. The most significant variance resulted from the District receiving less in state aid than originally anticipated, however, this was offset by miscellaneous revenues that were not anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. The District then manages or controls General Fund spending through its line-item budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004, the District had invested \$358,870, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 13% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$52,228.

The original cost of the District's capital assets was \$1,454,839. Governmental funds account for \$1,432,475, with the remainder of \$22,364 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2003-2004</b>
	\$	\$	\$	\$	\$	\$	
Land	80	80	-	-	80	80	0.00%
Buildings	6,075	6,249	-	-	6,075	6,249	-2.78%
Furniture and equipment	73	95	29	29	102	124	-17.74%
Totals	6,228	6,424	29	29	6,257	6,453	-3.04%

### **Long-Term Debt**

The District has no long-term debt.

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax was passed in Sac County and money began to be received by the District in January of 2004. Buena Vista, Pocahontas and Calhoun Counties will began levying the tax on July 1, 2004.
- For the 2003-04 school year the state cut the District's budget by 2.5%. This was an across the board cut, effecting Phase I & II and Teacher Compensation as well as other areas. This will force the District to use some of the cash on hand. To maintain programs at current levels. Cuts made during the fiscal year negatively impact the District's balances as adequate expense reductions are not possible.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The OLGC parochial school closed after the 2004 school year. This will result in an increased enrollment of 2005, however, the trend is for declining enrollment in the future.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marcia Johnson, District Secretary/Treasurer, Newell-Fonda Community School District, 205 Clark Street, Newell, Iowa 50568.

## Basic Financial Statements

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	1,779,116	28,842	1,807,958
Receivables:			
Property tax:			
Current year	20,277	-	20,277
Succeeding year	1,166,039	-	1,166,039
Due from other governments	43,267	-	43,267
Other receivables	2,633	-	2,633
Accrued interest receivable	8,144	-	8,144
Inventories	-	4,517	4,517
Capital assets, net of accumulated depreciation	358,870	2,949	361,819
<b>Total assets</b>	<u>3,378,346</u>	<u>36,308</u>	<u>3,414,654</u>
<b>Liabilities</b>			
Accounts payable	4,311	-	4,311
Deferred revenue:			
Succeeding year property tax	1,166,039	-	1,166,039
<b>Total liabilities</b>	<u>1,170,350</u>	<u>-</u>	<u>1,170,350</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	358,870	2,949	361,819
Restricted for:			
Management levy	84,318	-	84,318
Physical plant and equipment levy	611,537	-	611,537
Capital projects	1,777	-	1,777
Unrestricted	1,151,494	33,359	1,184,853
<b>Total net assets</b>	<u>2,207,996</u>	<u>36,308</u>	<u>2,244,304</u>

See notes to financial statements.



## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	1,420,525	113,667	188,885	(1,117,973)	-	(1,117,973)
Special instruction	404,828	-	135,440	(269,388)	-	(269,388)
Other instruction	445,183	-	238,053	(207,130)	-	(207,130)
	<u>2,270,536</u>	<u>113,667</u>	<u>562,378</u>	<u>(1,594,491)</u>	<u>-</u>	<u>(1,594,491)</u>
Support services:						
Student services	90,776	-	2,551	(88,225)	-	(88,225)
Instructional staff services	124,862	-	-	(124,862)	-	(124,862)
Administration services	383,365	-	-	(383,365)	-	(383,365)
Operation and maintenance of plant services	416,362	-	27,058	(389,304)	-	(389,304)
Transportation services	199,339	-	25,769	(173,570)	-	(173,570)
	<u>1,214,704</u>	<u>-</u>	<u>55,378</u>	<u>(1,159,326)</u>	<u>-</u>	<u>(1,159,326)</u>
Other expenditures:						
AEA flowthrough	138,167	-	138,167	-	-	-
Facilities acquisition and construction	6,252	-	-	(6,252)	-	(6,252)
Depreciation (unallocated)*	34,428	-	-	(34,428)	-	(34,428)
	<u>178,847</u>	<u>-</u>	<u>138,167</u>	<u>(40,680)</u>	<u>-</u>	<u>(40,680)</u>
Total governmental activities	3,664,087	113,667	755,923	(2,794,497)	-	(2,794,497)

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues					
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Proprietary funds	160,266	82,364	79,358	-	1,456	1,456
Total	<u>3,824,353</u>	<u>196,031</u>	<u>835,281</u>	<u>(2,794,497)</u>	<u>1,456</u>	<u>(2,793,041)</u>
General revenues:						
Property tax levied for:						
General purposes				1,235,303	-	1,235,303
Management				59,839	-	59,839
Capital outlay				150,579	-	150,579
Local option sales tax				1,777	-	1,777
Unrestricted state grants				1,282,964	-	1,282,964
Unrestricted investment earnings				23,671	-	23,671
Other				<u>32,865</u>	-	<u>32,865</u>
Total general revenue				<u>2,786,998</u>	-	<u>2,786,998</u>
Change in net assets				(7,499)	1,456	(6,043)
Net assets beginning of year, as restated (note 8)				<u>2,215,495</u>	<u>34,852</u>	<u>2,250,347</u>
Net assets end of year				<u>2,207,996</u>	<u>36,308</u>	<u>2,244,304</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2004

	General	Capital Projects	Property Plant and Equipment Levy	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	999,560	1,332	605,162	173,062	1,779,116
Receivables:					
Property tax:					
Current year	12,852	-	6,375	1,050	20,277
Succeeding year	1,096,340	-	39,699	30,000	1,166,039
Due from other governments	42,822	445	-	-	43,267
Other receivables	2,633	-	-	-	2,633
Accrued interest receivable	8,144	-	-	-	8,144
<b>Total assets</b>	<u>2,162,351</u>	<u>1,777</u>	<u>651,236</u>	<u>204,112</u>	<u>3,019,476</u>
<b>Liabilities and Fund Balance</b>					
Liabilities:					
Accounts payable	4,311	-	-	-	4,311
Deferred revenue:					
Succeeding year property tax	1,096,340	-	39,699	30,000	1,166,039
Total liabilities	<u>1,100,651</u>	<u>-</u>	<u>39,699</u>	<u>30,000</u>	<u>1,170,350</u>
Fund balances:					
Reserved for capital projects	-	1,777	-	-	1,777
Unreserved	1,061,700	-	611,537	174,112	1,847,349
Total fund balances	<u>1,061,700</u>	<u>1,777</u>	<u>611,537</u>	<u>174,112</u>	<u>1,849,126</u>
<b>Total liabilities and fund balances</b>	<u>2,162,351</u>	<u>1,777</u>	<u>651,236</u>	<u>204,112</u>	<u>3,019,476</u>

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 1,849,126
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	<u>358,870</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 2,207,996</u></u>

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Funds

Year ended June 30, 2004

	General	Capital Projects	Property Plant and Equipment Levy	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	1,235,303	1,777	150,579	59,839	1,447,498
Tuition	75,455	-	-	-	75,455
Other	131,499	-	11,522	227,896	370,917
State sources	1,600,138	-	115	46	1,600,299
Federal sources	147,726	-	14,693	-	162,419
Total revenues	<u>3,190,121</u>	<u>1,777</u>	<u>176,909</u>	<u>287,781</u>	<u>3,656,588</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,388,923	-	21,105	10,497	1,420,525
Special instruction	404,828	-	-	-	404,828
Other instruction	228,631	-	-	216,552	445,183
	<u>2,022,382</u>	<u>-</u>	<u>21,105</u>	<u>227,049</u>	<u>2,270,536</u>
Support services:					
Student services	90,464	-	-	312	90,776
Instructional staff services	124,550	-	-	312	124,862
Administration services	380,221	-	-	3,144	383,365
Operation and maintenance of plant services	257,975	-	133,095	25,292	416,362
Transportation services	170,004	-	-	11,535	181,539
	<u>1,023,214</u>	<u>-</u>	<u>133,095</u>	<u>40,595</u>	<u>1,196,904</u>
Other expenditures:					
AEA flowthrough	138,167	-	-	-	138,167
Facilities acquisition and construction	-	-	2,414	3,838	6,252
	<u>138,167</u>	<u>-</u>	<u>2,414</u>	<u>3,838</u>	<u>144,419</u>
Total expenditures	<u>3,183,763</u>	<u>-</u>	<u>156,614</u>	<u>271,482</u>	<u>3,611,859</u>
Excess of revenues over expenditures	6,358	1,777	20,295	16,299	44,729
Fund balances beginning of year, as restated (note 8)	<u>1,055,342</u>	<u>-</u>	<u>591,242</u>	<u>157,813</u>	<u>1,804,397</u>
Fund balances end of year	<u>1,061,700</u>	<u>1,777</u>	<u>611,537</u>	<u>174,112</u>	<u>1,849,126</u>

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds (Exhibit E) \$ 44,729

Amounts reported for governmental activities in the  
 statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of depreciation expense in the year are as follows:

Depreciation expense (52,228)

Change in net assets of governmental activities (Exhibit B) \$ (7,499)

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenses and Changes in Net Assets

## Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>82,364</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	73,336
Benefits	8,604
Services	175
Supplies	77,507
Depreciation	<u>644</u>
Total operating expenses	<u>160,266</u>
Operating (loss)	<u>(77,902)</u>
Non-operating revenues:	
Local sources	62
State sources	2,624
Federal sources	<u>76,672</u>
	<u>79,358</u>
Change in net assets	1,456
Net assets beginning of year	<u>34,852</u>
Net assets end of year	<u><u>36,308</u></u>

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of services	82,364
Cash payments to employees for services	(81,940)
Cash payments to suppliers for goods or services	<u>(61,727)</u>
Net cash provided by (used in) operating activities	<u>(61,303)</u>
Cash flows from non-capital financing activities:	
State grants received	2,624
Federal grants received	<u>63,832</u>
Net cash provided by non-capital financing activities	<u>66,456</u>
Cash flows from investing activities:	
Interest on investments	<u>62</u>
Net increase (decrease) in cash and cash equivalents	5,215
Cash and cash equivalents beginning of year	<u>23,627</u>
Cash and cash equivalents end of year	<u><u>28,842</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(77,902)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:	
Depreciation	644
Commodities used	12,840
Decrease in inventory	<u>3,115</u>
	<u>(61,303)</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	<u><u>28,842</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received federal commodities valued at \$12,840.

See notes to financial statements.



## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Statement of Fiduciary Net Assets

## Fiduciary Funds

June 30, 2004

	Private Purpose Trust Funds
	<u>\$</u>
<b>Assets</b>	
Cash	<u>385,775</u>
<b>Total assets</b>	<u>385,775</u>
<b>Net assets</b>	
Reserviced for scholarships	<u><u>385,775</u></u>

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Statement of Changes in Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Miscellaneous	<u>18,018</u>
Total additions	<u>18,018</u>
Deductions:	
Support services:	
Scholarships	<u>5,159</u>
Total deductions	<u>5,159</u>
Change in net assets	12,859
Net assets beginning of year	<u>372,916</u>
Net assets end of year	<u><u>385,775</u></u>

See notes to financial statements.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2004

#### (1) Summary of Significant Accounting Policies

The Newell-Fonda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Newell and Fonda, Iowa, and agricultural area in Buena Vista, Sac, Pocahontas and Calhoun Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Newell-Fonda Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Newell-Fonda Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Pocahontas Counties Assessor Conference Boards.

##### B. Basis of Presentation

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. the District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

#### C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2004.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures in the Instruction and Support Services functions exceeded the amounts budgeted.

## (2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.

## (3) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated (note 8)	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Capital assets being depreciated:				
Buildings	1,006,000	-	-	1,006,000
Furniture and Equipment	<u>424,475</u>	<u>-</u>	<u>-</u>	<u>424,475</u>
Total capital assets being depreciated	<u>1,430,475</u>	<u>-</u>	<u>-</u>	<u>1,430,475</u>
Less accumulated depreciation for:				
Buildings	697,600	17,800	-	715,400
Furniture and Equipment	<u>323,777</u>	<u>34,428</u>	<u>-</u>	<u>358,205</u>
Total accumulated depreciation	<u>1,021,377</u>	<u>52,228</u>	<u>-</u>	<u>1,073,605</u>
Total capital assets being depreciated, net	<u>409,098</u>	<u>(52,228)</u>	<u>-</u>	<u>356,870</u>
Governmental activities, capital assets, net	<u>411,098</u>	<u>(52,228)</u>	<u>-</u>	<u>358,870</u>
<b>Business type activities:</b>				
Furniture and equipment	22,364	0	-	22,364
Less accumulated depreciation	<u>18,771</u>	<u>644</u>	<u>-</u>	<u>19,415</u>
Business type activities capital assets, net	<u>3,593</u>	<u>(644)</u>	<u>-</u>	<u>2,949</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Transportation services				17,800
Unallocated				<u>34,428</u>
				<u>52,228</u>
Business Type activities:				
Food service operations				<u>644</u>

**(4) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$117,874, \$121,083, and \$121,163 respectively, equal to the required contributions for each year.

**(5) Risk Management**

Newell-Fonda Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(6) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$138,167 for year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(7) Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive is equal to the difference between the employee's base salary calculated by using the current year regular salary schedule less the beginning base salary using the same schedule. Early retirement benefits paid during the year ended June 30, 2004 totaled \$4,750.

**(8) Accounting Change**

Governmental Accounting Standards Board (GASB) Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2003. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus were implemented during the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Governmental Accounting Standards Board (GASB) Statement Number 38, Certain Financial Statement Note Disclosure, requires certain disclosures be made in the notes to the financial statements concurrent with the implementation of Statement Number 34.



The District-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	Fund			Total
	General	Debt Service	Nonmajor Special Revenues	
Net assets, June 30, 2003, as previously reported	\$1,055,342	591,242	157,813	1,804,397
GASB Interpretation 6 adjustments	-	-	-	-
Net assets, July 1, 2003, as restated for governmental funds	<u>1,055,342</u>	<u>591,242</u>	<u>157,813</u>	1,804,397
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$1,021,377				411,098
Net assets, July 1, 2003, as restated				<u>\$2,215,495</u>

## Required Supplementary Information

**NEWELL-FONDA COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance -
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	1,911,666	82,426	1,994,092	1,913,150	1,913,150	80,942
State sources	1,600,299	2,624	1,602,923	1,681,022	1,681,022	(78,099)
Federal sources	162,419	63,832	226,251	247,000	247,000	(20,749)
Total receipts	3,674,384	148,882	3,823,266	3,841,172	3,841,172	(17,906)
Disbursements:						
Instruction	2,268,909	-	2,268,909	2,317,000	2,317,000	48,091
Support services	1,196,904	-	1,196,904	1,311,500	1,311,500	114,596
Non-instructional programs	-	143,667	143,667	165,000	165,000	21,333
Other expenditures	144,419	-	144,419	178,094	178,094	33,675
Total disbursements	3,610,232	143,667	3,753,899	3,971,594	3,971,594	217,695
Excess (deficiency) of receipts over (under) disbursements	64,152	5,215	69,367	(130,422)	(130,422)	199,789
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	64,152	5,215	69,367	(130,422)	(130,422)	199,789
Balance beginning of year	1,714,964	23,627	1,738,591	2,146,906	2,146,906	(408,315)
Balance end of year	1,779,116	28,842	1,807,958	2,016,484	2,016,484	(208,526)

See accompanying independent auditor's report.

**NEWELL-FONDA COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Type		
	Cash	Accrual	Modified
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u>
	\$	\$	\$
Revenues	3,674,384	(17,796)	3,656,588
Expenditures	<u>3,610,232</u>	<u>1,627</u>	<u>3,611,859</u>
Net	64,152	(19,423)	44,729
Other financing sources (uses)	-	-	-
Beginning fund balances	<u>1,714,964</u>	<u>89,433</u>	<u>1,804,397</u>
Ending fund balances	<u><u>1,779,116</u></u>	<u><u>70,010</u></u>	<u><u>1,849,126</u></u>

	Proprietary Fund Type		
	Enterprise		
	<u>Cash</u>	<u>Accrual</u>	<u>Accrual</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
	\$	\$	\$
Revenues	148,882	12,840	161,722
Expenditures	<u>143,667</u>	<u>16,599</u>	<u>160,266</u>
Net	5,215	(3,759)	1,456
Beginning fund balances	<u>23,627</u>	<u>11,225</u>	<u>34,852</u>
Ending fund balances	<u><u>28,842</u></u>	<u><u>7,466</u></u>	<u><u>36,308</u></u>

See accompanying independent auditor's report.

**NEWELL-FONDA COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functions expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Expenditures did not exceed the amounts budgeted in any of the four functions.

## Other Supplementary Information

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Nonmajor Special Revenue Funds

June 30, 2004

	Management	Student Activity	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	83,268	89,794	173,062
Property tax receivable:			
Current year	1,050	-	1,050
Succeeding year	30,000	-	30,000
<b>Total assets</b>	<u>114,318</u>	<u>89,794</u>	<u>204,112</u>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	30,000	-	30,000
Fund equity:			
Unreserved, undesignated fund balance	<u>84,318</u>	<u>89,794</u>	<u>174,112</u>
<b>Total liabilities and fund equity</b>	<u>114,318</u>	<u>89,794</u>	<u>204,112</u>

See accompanying independent auditor's report.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

## Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Management	Student Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	59,839	-	59,839
Other	682	227,214	227,896
State sources	46	-	46
Total revenues	60,567	227,214	287,781
Expenditures:			
Instruction:			
Regular instruction	10,497	-	10,497
Co-curricular instruction	-	216,552	216,552
Support services:			
Student support	312	-	312
Instructional support	312	-	312
Administration services	3,144	-	3,144
Plant operation and maintenance	25,292	-	25,292
Student transportation	11,535	-	11,535
Non-instructional programs:			
Food service operations	3,838	-	3,838
Total expenditures	54,930	216,552	271,482
Excess of revenues over expenditures	5,637	10,662	16,299
Fund balances beginning of year, as restated (note 8)	78,681	79,132	157,813
Balance end of year	84,318	89,794	174,112

See accompanying independent auditor's report.



## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Boys Basketball	8,633	5,604	5,405	8,832
Football	-	21,956	19,469	2,487
Baseball	-	10,295	10,295	-
Co-ed Track	-	4,994	4,994	-
Co-ed Golf	-	2,532	2,532	-
Girls Basketball	9,090	8,558	9,027	8,621
Volleyball	1,441	2,252	2,625	1,068
Softball	-	5,926	5,926	-
General Athletics	3,736	2,720	906	5,550
Cheerleaders	1,182	9,746	7,870	3,058
Drill Team	1,847	33,569	34,231	1,185
All School Play	1,997	1,334	1,006	2,325
Speech	200	1,469	1,682	(13)
Foreign Language Club	523	57	89	491
MS TA - Nielsen	1,108	15,639	14,053	2,694
Student Council	1,305	9,800	10,130	975
FCS	3,417	194	803	2,808
FFA	5,800	13,957	13,754	6,003
MS School Play	27	-	-	27
After Prom	171	4,906	4,839	238
Girls Basketball Fund Raiser	1,719	898	2,277	340
Boys Basketball Fund Raiser	876	9,100	8,080	1,896
Football Fund Raiser	427	12,436	11,297	1,566
Baseball Fund Raiser	3,659	5,944	4,424	5,179
Volleyball Fund Raiser	(672)	3,261	1,775	814
Softball Fund Raiser	1,229	3,869	3,313	1,785
Class of 2005	4,136	1,378	4,409	1,105
Class of 2006	3,580	15	10	3,585
Class of 2003	193	-	-	193
Class of 2004	1,750	180	1,222	708
Class of 2007	-	9,461	5,804	3,657
Art	1,430	-	-	1,430
Shop	1,170	-	-	1,170
MS Music Resale	(148)	-	-	(148)
HS Music Resale	18	-	-	18
Elementary PTF Funds	3,206	2,565	1,575	4,196
MS PTF Funds	3,441	-	-	3,441
State Basketball Tourney Expense	2,124	10,855	12,414	565
Library	(34)	701	487	180
Postage	97	-	-	97
General Activity	4,126	100	1,453	2,773
Yearbook 03	2,377	671	663	2,385
Yearbook 02	-	-	-	-
Yearbook 04	-	10,100	7,713	2,387
Interest	3,951	172	-	4,123
Totals	79,132	227,214	216,552	89,794

See accompanying independent auditor's report.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Combining Schedule of Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Funds		Total
	Cecil Rogers Scholarship	Don Anderson Trust	
	\$	\$	\$
<b>Assets</b>			
Cash	6,317	379,458	385,775
	<u>6,317</u>	<u>379,458</u>	<u>385,775</u>
<b>Net Assets</b>			
Reserved for scholarships	6,317	379,458	385,775
	<u>6,317</u>	<u>379,458</u>	<u>385,775</u>

See accompanying independent auditor's report.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Combining Schedule of Changes in Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Funds		
	Cecil Rogers Scholarship	Don Anderson Trust	Total
	\$	\$	\$
Additions:			
Local sources:			
Interest income	132	17,886	18,018
Deductions:			
Support services:			
Scholarships awarded	-	5,159	5,159
Change in net assets	132	12,727	12,859
Net assets beginning of year	6,185	366,731	372,916
Net assets end of year	6,317	379,458	385,775

See accompanying independent auditor's report.

## NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

## Comparison of Taxes and Intergovernmental Revenues

All Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Local sources:				
General	1,235,303	1,185,802	1,183,212	1,195,222
Special revenue	210,418	203,693	197,990	189,370
Capital projects	1,777	-	-	-
	<u>1,447,498</u>	<u>1,389,495</u>	<u>1,381,202</u>	<u>1,384,592</u>
State sources:				
General	1,600,138	1,671,732	1,736,854	1,797,895
Special revenue	161	136	171	176
Enterprise	2,624	2,927	3,275	3,458
	<u>1,602,923</u>	<u>1,674,795</u>	<u>1,740,300</u>	<u>1,801,529</u>
Federal sources:				
General	147,726	97,136	86,859	120,860
Special revenue	14,693	-	-	-
Enterprise	76,672	77,497	75,818	90,791
	<u>239,091</u>	<u>174,633</u>	<u>162,677</u>	<u>211,651</u>
Total	<u>3,289,512</u>	<u>3,238,923</u>	<u>3,284,179</u>	<u>3,397,772</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance and  
on Internal Control over Financial Reporting**

To the Board of Education of the  
Newell-Fonda Community School District:

We have audited the financial statements of the Newell-Fonda Community School District, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 17, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Newell-Fonda Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory matters have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Newell-Fonda Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and no to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Newell-Fonda Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-I-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Newell-Fonda Community School District and other parties to whom Newell-Fonda Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Newell-Fonda Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

August 17, 2004

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

**Part I: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

04-I-A      SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

04-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B      Certified Budget - Disbursements for the year ended June 30, 2004, did not exceed the certified budget amounts.

04-II-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

04-II-E      Business Transactions - No business transactions between the District and District officials or employees were noted.

04-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

- 04-II-G      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 04-II-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 04-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 04-II-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.



